

RUSSELL SAGE
FOUNDATION

THE CHATTEL
LOAN BUSINESS

A REPORT

PREPARED UNDER THE DIRECTION OF
THE BUREAU OF SOCIAL RESEARCH,
NEW YORK SCHOOL OF PHILANTHROPY

BY

ARTHUR H. HAM

NEW YORK
CHARITIES PUBLICATION
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INTRODUCTION.

Last year the Bureau of Social Research issued a report on the salary loan business in New York City.* The present report on the chattel loan business is a logical complement of the earlier one. Together they form part of a larger scheme of investigation including the study of various agencies and practices that seem to exploit the necessities of the ignorant or helpless.

Among the conclusions reached in the salary loan investigation emphasis was laid on the one hand upon the need among wage earners for temporary aid to tide over emergencies, and on the other upon the distressful consequences frequently caused by borrowing from existing salary loan agencies. With the chattel loan companies severe and often unscrupulous business methods produce like distressing results among borrowers, who, in an even larger proportion of cases than those obtaining loans on assignment of wages, are steady, reliable, hard pressed men in need of temporary assistance.

The large problem then in this connection, is to afford loan facilities which will meet the need of wage-earners in financial straits in a way that will obviate the regularly burdensome and often dire effects of an appeal to existing agencies of the purely commercial type. A comprehensive remedy by legislation alone seems to be unobtainable. Laws have been framed to meet changing conditions, but they have thus far failed to obviate prevailing difficulties. The founders of the Citizens' Mortgage Loan Company of Cincinnati, after investigating the chattel loan situation in that city, were convinced that it would be futile to attempt to eradicate oppressive features by restrictive or repress-

*C. W. Wassam: *The Salary Loan Business in New York City*. Russell Sage Foundation Publication, 1908.

ive legislation. They adopted philanthropic competition as the most practicable remedy. In 1900 the legislature of Maryland, on the initiative of the Chattel Loan Association of Baltimore, enacted a law which it was thought would meet the requirements of effective legislation; but the loan companies had little difficulty in evading its provisions. In 1902, the law that is at present in force in Maryland was enacted. It has been an improvement on the earlier law, but usurious practices continue to flourish. The manager of the Baltimore company has come to the view that restrictive legislation can do little so long as borrowers are willing to pay high charges, and that the most reliable remedy lies in extended philanthropic competition.

The present laws of the State of New York seem sufficiently explicit. They open the way, on the one hand, for charges aggregating 24 per cent per annum to chattel loan concerns which will place themselves under the supervision of the state banking department; and on the other hand the law prohibits, to concerns which do not incorporate and place themselves under supervision, a higher charge than 6 per cent per annum under penalty of criminal prosecution and forfeiture of principal and interest for usurious practices. But the money lenders are having little difficulty in evading the law by devices that make proof of usury almost impossible.

In general, experience would suggest the conclusion that any attempt to keep loan companies within bounds merely by adding to the list of restrictive measures under which they may operate, simply results in higher charges and more irresponsible practices. Newspaper publicity, setting forth the experiences of unfortunate borrowers, apart from a program of action, is likewise unavailing, for such accounts are soon forgotten and unscrupulous practices go on without abatement.

At present in New York City there is only one agency with limited capital to which a needy man can be referred with the assurance of being charged a reasonable rate on a chattel mortgage loan. No such agency exists in the salary loan field, and none can exist so long as it is impossible to charge more than 6 per cent per annum on salary loans. With this situation in mind,

the next step would seem to be one combining legislation with philanthropic competition. The work so well begun by the St. Bartholomew's Loan Association might well be extended at once in such manner as not only to meet in a more adequate way the growing demand for loans on chattel security, but ultimately as well to make an experiment in the salary loan field, thus far unexplored by philanthropic enterprise. Meanwhile, existing laws might well be amended so as to legalize the charging of reasonable rates on salary loans, at the same time subjecting both salary and chattel loan concerns to such regulative supervision as will keep pace with the changing devices of the money lenders. The main remedy must be sought in competition, and that perhaps in the chattel loan rather than in the salary loan field; but legislation can make an effective contribution if for merely repressive measures it will substitute discretionary action based on contemporary knowledge.

The results here published are in large part the outcome of the work of Mr. Arthur H. Ham, who has spent the past three months in making an investigation of the chattel loan situation. Mr. Ham has drawn freely, however, on material gathered incidentally by Mr. C. W. Wassam in his salary loan study, as well as on special reports prepared by Mr. Frank J. Warne and Mr. W. F. Finley. The Bureau is indebted to these gentlemen for help received in this direction, as well as to Mr. Frank Tucker, Vice-President of the Provident Loan Society, whose advice and aid have been a constant source of reliance.

ROSWELL C. MCCREA,
Associate Director (in charge of the Bureau of Social Research),

SAMUEL McCUNE LINDSAY,
Director.

I.

THE NEED.

An emergency in the economy of the wage-worker whose earnings range below \$100 a month cannot be met through the fiscal agencies that satisfy the similar demands of men of larger income. His only recourse, in lack of willing friends or of others charitably inclined, is to one of a group of the following agencies: the pawn broker, the salary loan company or the broker in chattel mortgages. Of these the first is very often closed as an avenue of assistance, owing to the lack of suitable property to be pledged by the would-be borrower of small means. His choice is consequently restricted to those brokers who charge high rates of interest and take as security mortgages upon furniture or assignments of wages. Of these two forms of loan, by far the more oppressive in the obligations it imposes and in the effects it produces is the salary loan. The borrower is seldom able to defend himself if steps are taken by the broker to stop his wages. Upon the filing of an assignment his earnings are summarily cut off and his position lost. If he secures work in another establishment he is followed and again he finds his pay stopped by the aggressive broker. As Dr. Wassam shows in his account of the salary loan business ^(a) in New York City, the borrower who assigns his salary as security for a loan has little protection in the law, for by the amendment of 1904 to the Penal Code it is impossible to criminally prosecute those persons who charge usurious rates upon wages assigned, and the provision of law requiring the notification of the employer within three days after an assignment of the wages of an employee is systematically evad-

(a) C. W. Wassam: *The Salary Loan Business in New York City*. Russell Sage Foundation Publication, 1908.

ed by requiring the borrower to sign a power of attorney when taking out a loan. This scheme renders the law of 1904 of no effect. Added to this, the general feeling of distrust engendered among employers has resulted in a very general refusal on their part to side with employees in an endeavor to defeat the claims presented by the loan brokers.

This branch of the loan business has been well described by Dr. Wassam, and has been the subject of frequent comment by the daily newspapers. That phase of the subject, however, which has to do with loans on chattel mortgage security is at present little understood, and it is for the purpose of showing the conditions under which the chattel loan business thrives in New York City that this account has been written.

It is generally supposed that while borrowers on security of wages have little hope of protection at law, borrowers on household furniture are well protected. At first glance the law would seem to afford adequate protection to the borrower and allow the lender no opportunity to exact more than the legal rate of interest. But the result of a careful examination of the law and a thorough investigation of the business methods of mortgage loan companies proves it to be extremely doubtful whether the money lender can be criminally prosecuted; and so far as civil action is concerned, he is able as a rule to demand illegally high rates by reason of the many devices employed for evading the laws and for covering up the usurious nature of the contract.

II.

THE LAW.

Chapter 326 of the New York laws of 1895, popularly known as the "Pawnbrokers' Act," provided for the incorporation of associations for loaning money on personal property in any county of New York State having a population of more than 300,000 and less than 600,000 inhabitants. Under this act, any three or more persons in such county might become a corporation of this sort, loaning money upon pledge or mortgage of personal property, by filing a certificate in the form prescribed by the Business Corporation Law ^(a) and a bond equal to one-tenth of its capital stock, but in no case less than \$5,000, with the Superintendent of Banks. Upon his approval, such corporation was empowered to loan money on security described at a rate not exceeding 3 per cent per month for a period of two months or less, and not exceeding 2 per cent per month for a longer period; also a sum not exceeding \$3.00 for first examination of security and for drawing necessary papers. No loan was to be made for an amount greater than \$200 to any one person. The dividends of such a corporation were limited to 10 per cent yearly, and after a surplus of 50 per cent of capital had accumulated, the Superintendent of Banks had power to reduce the rate of interest if he were satisfied that such a corporation was making a profit of more than 10 per cent yearly. No person or corporation engaged in the money loaning business on similar security, except those incorporated under above act, could charge more than 6 per cent per annum under any device or pretext; and the violation of this restriction was made a misdemeanor. Upon proof of such fact the debt was to be cancelled and security made

(*) Appendix III, page 45.

void. The first section of the foregoing act was amended by Chapter 706, laws of 1895, so as to apply to all counties having a population of more than 300,000. It was further amended by Chapter 206, laws of 1896, to apply to all counties containing a city of more than 25,000, except the counties of Monroe and Westchester. Why these two counties should have been excepted is not clear; it was doubtless due to local conditions which the members from these counties thought sufficient to justify exemption. Chapter 78 of the laws of 1902 amended all sections of the first act. It now applied to all counties of the state containing or contained in a city of more than 25,000 inhabitants, except the counties of Monroe and Westchester. The number of incorporators was changed from three to five and the form of incorporation slightly altered. The Superintendent of Banks by this act was empowered to grant licenses to all corporations fulfilling the requirements of the law, and these licenses as well as the required bonds were to be renewed each year. An annual report verified by the oath of the president or secretary of a company was required and provision made for inspection of a company's books at least once a year, with the further provision that the expenses of such examination should be borne by the company. The interest allowed was reduced to the uniform rate of 2 per cent per month and the charge for papers, etc., reduced to \$2.00 on loans of more than \$50 and \$1.00 on loans of \$50 or less. Except in New York City no such corporation was allowed to make loans in any other county than that in which its principal business office was located. The last section slightly altered the corresponding section of the law of 1895, by substituting the words "legal rate" for the words "6 per cent per annum," as they appeared in the first law. This was in connection with the prohibition of a higher charge by companies not incorporated under this law. A further amendment appears in Chapter 333 of the laws of 1905. This makes the act apply to any county containing or contained in an incorporated city, except the counties of Westchester and Monroe. In all other particulars the law of 1902 stands as the present law. (a) Corporations organized under this

(a) Appendix I, page 40.

law may, as previously stated, charge 2 per cent per month and \$2.00 for papers on loans of more than \$50 or \$1.00 on loans of \$50 or less. Any charge in excess of this involves forfeiture of the \$5,000 bond and the further penalty provided by the General Usury Law, by which the debt is cancelled and the security made void.^(a)

Section 378 of the Penal Code, as amended in 1904,^(b) makes it a misdemeanor to charge more than 6 per cent per annum on loans of money where security is taken for such loan upon household furniture, tools or implements of trade, wearing apparel or jewelry; and under the General Usury Law^(c) the penalty for usury is loss of both principal and interest. It is readily seen, therefore, that no corporation or individual can legally loan money on chattel mortgage security at a higher rate than 6 per cent per annum unless incorporated under Chapter 326 of the laws of 1895 as amended. Yet, of the concerns doing such a business in

^(a) In the case of *Daniel Pratt et al. vs. Henry W. Short et al.*, (79 N. Y. 437), the court held that "Where a prohibitory statute points out the consequences of its own violation and it appears to have been the legislative intent to exclude any other penalty or forfeiture than such as is declared in the statute, no other will be enforced and an action may be maintained upon the transaction of which the prohibited act was a part if it can be done without sanctioning its illegality." Subsequent court decisions seem to contradict that in the foregoing case, as in *Tyng vs. Commercial Warehouse Company of New York* (58 N. Y. 308), where the court held that "A company authorized to charge more than the legal rate has no more power to charge commissions than an individual engaged in the same business. Therefore the usury laws are not repealed in the defendant's favor and it is a question of fact for a jury." The decision of the Court of Appeals in the case of *Lowry vs. Collateral Loan Association* (172 N. Y. 394), affirming the decision of the Appellate Division (62 App. Div., 240), gives a clear interpretation of the law of 1895 overruling the decision of the lower court in the case (79 N. Y. 437), cited above. The court was of the opinion that "Chapter 326 of the laws of 1895, providing 'for the incorporation of associations for lending money on personal property,' must be construed with and is subject to statutes relating to usury; usurious loans made by such associations are subject to the penalty of forfeiture. The statutes relating to usury (1 R. S. 771 and amendments thereto) are not repealed as to corporations formed under Chapter 326 of the laws of 1895, providing 'for the incorporation of associations for lending money on personal property' . . . and authorizing such corporations to take as security for the payment of any such loans either a pledge or a mortgage of any personal property' and to 'charge or receive upon each loan . . . interest or discount at a rate not exceeding 3 per cent per month for a period of two months or less, and not exceeding 2 per cent a month for any period after said two months.' The effect of the two statutes when read together is to increase the rate of interest upon loans covered by the later statute and to apply the penalty of forfeiture prescribed by the Usury Act if the rate so authorized is exceeded; and a person who has borrowed money upon notes secured by chattel mortgages from a corporation organized and doing business under such statutes may, upon proof that the corporation has exacted interest and charges upon the loan in excess of the amounts allowed by the statute, maintain an action to have the loan declared void, the notes and the mortgages surrendered and the corporation restrained 'pendente lite' from foreclosing the mortgages."

^(b) Appendix II, page 44.

^(c) Cummings and Gilbert Gen. Laws, pp. 1984-1995.

New York City, only three have taken advantage of this law entitling them to charge more than the legal rate of interest. These are the St. Bartholomew's Loan Association, the City Credit Company and the Fidelity Loan Association. The first, founded on a philanthropic basis, is loaning money to the extent of its limited capital at 1 per cent a month. Not much is known of the other two companies and their business methods, but it is certain that they are charging at least the full 2 per cent per month allowed by the law under which they are incorporated, in addition to at least the legal charge for papers, etc.

It is not at all hazardous to say that with the exception of the three above-mentioned, not one of the many loan companies now operating is doing a legal business. A profitable business at 6 per cent is impossible. The usual loan of \$40 or \$50, plus interest charges, is divided into equal payments, payable in from three to six monthly installments. The interest on a \$50 loan at 6 per cent per annum for six months would be \$1.50. There must be offset against this the salary of an investigator who will examine the security and pass upon its acceptability, that of a collector to call for the payments as they fall due and look up those who are seeking to dodge their settlements, an office with its attendant expenses for bookkeeping, cashier, stenographer, and maintenance, as well as the usual losses and necessary fees to attorneys. All of these expenses must be paid out of the gross returns from loans. Apart from direct evidence bearing on the point, it is clear that a 6 per cent rate would not cover expenses. Yet the morning papers contain several columns of advertisements in which these companies claim to be loaning money at 6 per cent with no further charges. An examination of the actual transaction and of the business methods of these companies will reflect at once the absurdity of their claim of legal charges. In reality their charges run from 100 to 150 per cent per annum. When the applicant for a short-time loan has satisfied the lender as to the value of his security, etc., he is informed that the rate will be 6 per cent per annum, and in addition he will be required to pay a bonus of 25 per cent to 30 per cent, which will be deducted from the amount of the loan. Under the law, the imposing of

such charges would seem to constitute usury, upon conviction for which an offender is punishable by a fine and imprisonment, as well as by loss of principal and interest. But by a skilful method of requiring the borrower to sign a receipt for the full amount, the transaction is given the appearance of legality. If at the end of the period for which the loan is to run the mortgagor is unable to pay off his debt, the same excessive charges are repeated on a new loan, or foreclosure proceedings are begun and the borrower is eventually sold out at auction. Although the lender seems to be able to conceal the usurious nature of the contract and to bind the borrower to a settlement in full, he fears the effect of publicity upon his business, and almost invariably when the borrower secures legal assistance and shows sign of readiness to fight the claim in the courts, the lender is willing to compromise and settle for much less than his original claim. However, the great mass of borrowers have no knowledge of this fact, and the lender's threat of legal action to collect is usually sufficient to make the borrower pay the claim in full. An attorney in this city who has made a very careful study of the law in relation to the loan business is of the opinion that a compromise and settlement at figures much lower than the amount claimed can invariably be secured, if borrowers would put their cases in the hands of competent lawyers. Yet he holds to the view that owing to the evasive methods of lenders they cannot be prosecuted and convicted under the present law.

III.

METHODS OF BUSINESS.

It is practically impossible accurately to determine the present number of agencies loaning money on chattel mortgage security in New York City. It is equally impossible to estimate the number of people borrowing, the volume of business transacted or the amount of capital invested. The only place where this information exists is on the books of the companies, which are obviously inaccessible for our purposes. The number of companies can roughly be estimated as not far from forty, for there are thirty frequently advertising in the daily newspapers and several in addition that are known to exist. ^(a) Three of these companies are incorporated under Chapter 326 of the laws of 1895 as amended, and are therefore allowed to charge 2 per cent per month, with a small additional charge for papers, etc. These are the St. Bartholomew's Loan Association, of 211 East 42nd street; the City Credit Company, of 621 Broadway, and the Fidelity Loan Association, of 140 Nassau street, previously mentioned. The remaining companies and individuals doing business under corporate names, as well as individuals doing business under their own names, are allowed by law to charge only 6 per cent per annum. How far they keep within the bounds of the law will be seen. With few exceptions they advertise as loaning money at the legal rate, but an application for a loan reveals the fact that the charge for interest is but a small part of the total cost to the borrower. As a rule these companies have no schedule of rates to which they strictly adhere. They exact all that the borrower, in desperation or in ignorance or neglect of legal rates, will agree to pay.

^(a) Appendix VI, page 51.

A few extracts will show the methods of advertising by which these money lenders seek to attract patrons :

6% LOANS QUICKLY MADE 6%

From 1 to 12 months to man and wife on furniture, pianos, machinery, without removal; rents, bankbooks and all other securities; easy payments, weekly or monthly; strictly confidential.

LESLIE REALTY Co. (INC.),
145 West 125th St., opp. Koch's.

LOWER RATES THAN ALL OTHERS IN CITY.

Quick loans to husband or wife, any amount, longest time, on pianos, furniture, autos, carriages, trucks, horses, without removal; rents; easy payments; confidential.

LONDON REALTY Co. (INC.),
1265 Broadway, Near 32d St. Tel. 4656-Mad.
375 Fulton St., B'klyn., Opp. City Hall.

MONEY AT LOWER RATES THAN ALL OTHERS

at 6 per cent per year in any amount in Greater New York on furniture, pianos, without removal; rents, legacies, machinery, second mortgages, bank books, real estate, horses, carriages and all other securities; easy payments, weekly or monthly; strictly confidential.

MONEY BROUGHT TO YOUR HOME.

If not convenient to call, fill out this blank, mail it to any of our offices, and our agent will call at once with the money.

Name
 Address
 Amount wanted \$.....
 On security of.....

ADELPHI REALTY CO. (INC.)

Main Office—116 Nassau St., N. Y.

20 E. 120th St. 373 E. 146th St.

Brooklyn Branches: 35 Cooper St.

408 Gates Ave.

295½ Atlantic Ave. 1867 Fulton St.

The man in need of money fills in the blanks in the above advertisement, mails the clipping to the company's office, and by return mail receives the following reply:

Mr.....

Dear Sir.—Your application for a loan received, acted upon and passed favorably. Kindly call at once at our main office, 116 Nassau street, near General Post Office, New York City, with a list of your chattels, and we will fix up the matter for you immediately.

In case you cannot call during the day, you may call at 2110 Fifth Ave., New York City, any evening between 8 and 9 (except Friday), and ask for our Mr. B.

Yours respectfully,

A. R. Co.,

Per J. B.

When the applicant calls at the office he is asked the stock questions and made to fill in the application blank, just as if the company had never heard of him before. This method attracts many prospective borrowers.

As a rule loan companies are very secretive as regards their schedule of rates, and at the time an application is made it is difficult to learn from them just what their charges will be. The writer applied for a loan at the office of the Adelphi Realty

Company and was told that the charge would be $\frac{1}{2}$ of 1 per cent per month. When he asked if this would be the total cost and if there would be no further charge of any sort, the young lady in charge said, "Oh, yes, there will be some charge for investigating your security and for making out the necessary papers, but we can't tell how much that will be until we have seen your furniture and looked up your references."

However, the writer applied for a loan of \$50 at the office of the Broadway Securities Company, Broadway and 28th street, ^(*) and was told at once that the charges would be \$15 for the use of \$50 for two months.

This represents the amount charged by most of the companies, which averages a rate of 100 per cent and upward per annum, although in a number of cases now on file in the Bureau of Social Research even these rates have been exceeded.

The following list of rates, obtained from some of the most important companies, gives an idea of their customary charges covering principal and interest:

Acme Security Company, 289 Fourth Avenue—

\$50 for 8 weeks—8 notes for \$10, each payable weekly.

If one payment is missed 50 cents extra is charged.

Adelphi Realty Company, 116 Nassau Street—

\$50 for 12 weeks—12 weekly payments of \$6.25 each.

Ariston Realty Company, 110 West 34th Street—

\$40 for 10 weeks—\$5.75 weekly.

Anchor Realty Company, 31 West 42d Street—

\$50 for 4 months—\$15 monthly.

Riverside Security Company, 271 West 125th Street—

\$50 for 8 weeks—\$7.50 weekly.

Seiff, 217 West 125th Street—

\$50 for 8 weeks—\$8 weekly.

Bryant, 140 West 42d Street—

\$50 for 8 weeks—\$10 weekly.

(*) Bernard Wolf, doing business under name of Broadway Securities Co.

The usual length of time for loans to run is two or three months, and loans taken for shorter periods seem to bear nearly the same charges.

It is hardly necessary to state again that money lenders seldom openly violate the law so as to render themselves liable to the charge of exacting usury, involving not only loss of principal and interest, but also ground for criminal prosecution; on the contrary, they have many devices by means of which they conceal the nature of the transaction. By far the most common of these devices, in fact the one almost universally practised at the present time, is that of deducting a certain sum from the amount borrowed as a charge for papers, etc., and of requiring the borrower to sign a receipt for the full amount and notes for this sum plus the legal rate of interest. The sum thus deducted is usually twenty to twenty-five per cent of the loan. The following cases illustrate the operation of this method:

On August 21, 1908, a lady borrowed \$105 from the Times Square Realty Company, Broadway and 41st street. On October 9 she took out another loan with the St. Bartholomew's Loan Association for the purpose of settling her account with the Times Square Company. The manager of the latter company refused to give up the mortgage unless \$125 were paid. This sum, he claimed, was the amount of the loan, and in addition he demanded \$1.25 interest charges. The lady paid the \$125, but refused to pay the "interest" charges and the matter was not pressed.

A Mr. C—— borrowed \$100 from the Anchor Realty Company, of 31 West 42d Street, receiving only \$84 in cash. He was required to sign a receipt for \$100 and four notes aggregating this sum plus the legal interest, payable monthly.

Another device commonly practised is that of requiring the borrower to purchase so-called "oil paintings" of the loan company at a figure far exceeding their actual value. The following case illustrates the method: Mr. T—— borrowed \$100 from the State Credit Company for a period of four months, for which loan he paid \$150. At the time of taking the loan he was required to purchase of the company two oil paintings at \$5.00

each, making \$10, which was deducted from the \$100 he was to receive. The pictures, according to the statement of the borrower, were worthless.

Another device employed is that of requiring the borrower to take out insurance on the life of a relative with a designated insurance company, from which company the lender without doubt receives a commission. Mr. M—— borrowed \$50 for three months and paid \$5.48 weekly, or \$65.75 in all. In addition he was required to take out an insurance policy for which he paid \$8.00.

A further means of evading the law is that of ostensibly purchasing the furniture of the borrower and renting it back for a certain number of months at a figure far exceeding the legal rate of interest. When a sufficient number of payments have been made the title to the furniture is returned to the borrower.

As previously stated, the first-mentioned device is by far the most common, and since the borrower is allowed to bring no one with him when he calls at the office for his money it is a secure protection to the lender, since the receipt for the full amount is legal evidence of the debt. The amounts exacted by such means over and above the legal rate vary, but the system remains constant, the end and aim of such business evidently being to exact all that the traffic will bear.

A very common method by which the loan concerns seek to get an additional rate of interest is by encouraging their clients to take a new loan before the old one has been paid. If a borrower finds it impossible to meet a payment he will be accommodated with a further loan on similar terms. The following case illustrates this point: A working woman, in great need of a small loan, borrowed \$22 from the London Realty Company, receiving \$15 in cash. She signed a note for \$22, plus 6 per cent interest, to be repaid in twelve weekly payments. After having made six payments and finding herself unable to meet the one next due, at the advice of the company she took a new loan in order to settle the old one. As a matter of course the usual bonus was deducted by the company, plus the amount she still owed, so that she received almost nothing, but was now indebted for a much greater sum than before. She was an ignorant

woman, unable to understand the legal forms she signed, but she did understand that unless she made her payments promptly she would lose her furniture. She has gone on for four years, taking new loans to settle the old ones, until now she is paying \$2.16 every week, and is still indebted to the London Realty Company to the amount of \$24. When the writer suggested that she had paid about enough to the loan company, she said she dared not stop paying what they asked for fear they would come and take her furniture, and if that happened she did not know what she would do. In line with this illustration it would seem that the main value of a mortgage to the lender is often the moral effect it can be made to produce upon the borrower.

IV.

EXPERIENCES IN PHILADELPHIA.

This demoralizing system of extortion is by no means confined to New York City. Every large city of the country is affected by it, and in a number of crusades have been undertaken to stamp out the evil. One of the first cities to engage in this movement was Baltimore, and the excellent work of the Chattel Loan Association of Baltimore in connection with it is described later in this report; but the results of the crusade conducted by the Police Department in Philadelphia are even more illustrative of the situation. ^(a).

The industrial depression following the panic of October, 1907, threw many men out of employment in Philadelphia. They were consequently unable to meet payments due the loan companies, and the sheriff's office was flooded with executions. This unusual activity on the part of the loan companies attracted the attention of the sheriff and led to an inquiry on his part into the situation. The startling disclosures resulting led to a more extended investigation by detectives into the business practices and methods of the money lenders. The offices of a number of the larger concerns were raided and the books and papers seized. At the same time widespread publicity was given to these activities, and people who had borrowed money were invited to present their claims and grievances to designated officials. On the basis of the mass of evidence thus secured a number of loan office managers were arrested. As far as we know none of these cases has yet come to trial, but the books seized are still in pos-

^(a) The description of the Philadelphia situation which follows, is summarized from an unpublished report on the subject, prepared by Dr. Frank Julian Warne.

session of the police. Meanwhile loan companies continue to do business, and some new ones have been started.

At the time these arrests were made thirty-five companies were found to be operating throughout the city, besides many individuals engaged in the same business, and the detectives believed that at least thirty additional companies were active, as well as a number of individual concerns, sufficient to bring the total up to one hundred and seventy-five. Many of these companies had branch offices in different parts of the city. All of the thirty-five companies with which the detectives were familiar advertised extensively and employed various other devices coupled with promises of secrecy and easy payments, by which to attract borrowers. The intending borrower on furniture was required to sign the following blank:

I hereby make application through
my agent to for
the loan of dollars; said loan to run for
the period of months; to be paid in
..... monthly installments and in addition
to the amount of the loan I agree to pay the sum of
..... dollars, which I understand is the
charge for drafting papers, appraising my property
and looking up the title to same, making all necessary
searches, including the judgment records; and also the
interest at six % in advance 190.....
This makes my total indebtedness amount to.....
..... dollars.

The application blank from which the above was copied was filled out for a loan of \$150, to run for fifteen months, to be paid in fifteen monthly installments of \$15.65 each, making a total return of \$234.75 for a loan of \$150. Thus the amount the borrower agreed to pay in addition to the loan was \$84.75, for "drafting papers, appraising my property and looking up the title to same, making all necessary searches, including judgment records, and also the interest at 6 per cent in advance."

As security for the loan, chattel mortgages and judgment notes were given. Usually these chattel mortgages were signed in blank by the borrower and filled in by the lender whenever payments stopped. On failure to pay the company usually filled in the judgment note signed in blank, put this in the hands of the sheriff who seized the borrower's goods "by due process of law."

The borrower was also required to fill out the following blank for the lender's information:

.....190....
 Name
 Wife's Name
 Address
 Have lived there.....
 Where you are.....
 Last address Time.....
 Payments per.....
 Property.....Valued at.....
 Any incumbrance on goods..... To whom.....
 What amount.....
 Did you ever have a loan before
 What company.....
 Employed by
 In capacity of How long.....
 Previous employed by..... for
 Look up
 Wants money by
 Appraiser's condition reported.....
 For \$.....
 Remarks

 Appraised by.....
 Recorded by
 Inventory of property.....

The chattel mortgage blank which the borrower was required to fill out and sign stated that the articles therein enumerated were security for the payment of the indebtedness thus incurred. What the borrower actually did was to sell outright his property to the lender upon condition that it be returned to him when the sum agreed upon had been paid. In case of default the borrower empowered the lender "with the aid and assistance of any person or persons to enter his dwelling, house, store and other premises, and such other place or places as the said goods or chattels are or may be placed, and take and carry away the said goods as chattels, and to sell and dispose of the same for the best price he can obtain; and out of the money arising therefrom, to retain and pay the said sum above mentioned * * * and all charges touching the same, rendering the overplus (if any) unto the borrower or his administrators." If the borrower keeps up his payments he is "to remain and continue in quiet and peaceable pos-

session of the said goods and chattels and the full and free enjoyment of the same."

Having complied with these necessary requirements the borrower received the money, not the amount applied for, however, although the notes signed indicated the receipt of this sum, but the amount remaining after commissions, fees, costs of investigation, paper, etc., had been deducted,—and this in spite of the advertisements of the companies guaranteeing "the full amount in cash; nothing deducted."

Loans of \$20 were made for no longer period than seven months; loans of \$50 or more were made for not less than six months; and as a rule loans for \$175 and more were made for no shorter time than ten months, and usually they extended over an entire year. The scale card of rates charged by the companies was found to be by no means rigidly followed, for in many cases the monthly installments and the total amounts returned on similar loans varied considerably. In this connection the practices of one representative company differed in the case of different borrowers of similar amounts for the same period. On forty-eight loans of \$10 for five months, four different rates were charged. Thirty-five of these borrowers each paid monthly \$3.10, or a total of \$15.50; seven paid \$3.25 each month, or a total of \$16.25; four paid \$3.30 monthly, or \$16.50, while two paid \$3.35, or \$16.75. Of the sixty-two who borrowed \$20 for seven months, thirty-nine paid \$4.30 monthly, or a total of \$30.10; nine paid \$4.45, or \$31.15; eight paid \$4.40, or \$30.80; three paid \$4.60, or \$32.20; one paid \$4.66, or \$32.62; one paid \$4.30, or \$30.10, and one paid \$4.25, or \$29.75. Of eighty-six loans of \$25 for seven months, fifty-four borrowers paid \$5.30 each month, or a total of \$37.10; fourteen paid \$5.45, or \$38.15; twelve paid \$5.40, or \$37.80; four paid \$5.35, or \$37.45; and in two other cases one paid \$5.30 monthly, or \$37.10, and the other \$5.55, or \$38.85. (a)

This variation of rate was quite prevalent. There may be

(*) If presented in the scale card table these charges would be as follows:

\$10 for five mos.	{ \$3.10 : \$3.25 : \$3.30 : \$3.35 :
	{ 15.50 : 16.25 : 16.50 : 16.75 :
\$20 for seven mos.	{ \$4.25 : \$4.30 : \$4.40 : \$4.45 : \$4.60 : \$4.66 :
	{ 29.75 : 30.10 : 30.80 : 31.15 : 32.20 : 32.62 :
\$25 for seven mos.	{ 37.10 : 37.45 : 37.80 : 38.15 : 38.85 :
	{ 37.10 : 37.45 : 37.80 : 38.15 : 38.85 :

no genuine business explanation for the practice, but it may have been due to the varying ability of borrowers to make their payments, the greater rate being charged where the greater risk was incurred.

A similar variation also existed in rates charged for similar loans for different periods. For \$10 for three, four, five, six, and seven months respectively, the charges were as follows: \$14.40, \$14.00, \$15.50, \$15.60 and \$18.20. The same in general is true of larger loans. This variation is possibly explained by the fact that there was a greater demand for loans for three months than for four, hence the greater charge for the shorter period, the lower rates being used by the lender as a means of advertising his business.

An analysis of the seven hundred and fourteen loans on household goods made by one representative company covering a period of six months shows the number and percentage of borrowers for the respective periods to be as follows:

LENGTH OF TIME IN MONTHS.	NUMBER OF BORROWERS.	PER CENT.
1	1	.14
2	2	.28
3	40	5.60
4	17	2.38
5	107	15.00
6	72	10.08
7	299	41.88
8	13	1.82
9	27	3.78
10	85	11.90
12	51	7.14

The amount secured by these 714 borrowers and the number and percentage in each loan group is as follows:

AMOUNT BORROWED.	NUMBER OF BORROWERS.	PER CENT.
\$10	93	13.02
11 to 20	225	31.51
21 to 30	179	25.07
31 to 40	46	6.44
41 to 50	67	9.38
51 to 75	36	5.04
76 to 100	39	5.47
101 to 150	18	2.52
151 to 200	8	1.12
250	2	.28
300	1	.14

When a payment is not promptly met the lender at once puts his machinery into operation. He writes the delinquent borrower, pointing out the significance of his promise to pay, the legal punishment for failure to do so, and ends by threatening action unless payment is made at once. These threats and demands are continued, and at the same time "dun letters" in glaring red envelopes, with the name of the loan company displayed in large type, are sent to the borrower's home and place of employment. Collectors make frequent calls, and thus the borrower is constantly "hounded." Finally he receives some such letter as the following:

"Dear Sir:—

You have failed to pay your note of November 11th, as you promised you would. Now, Mr. H., we have this to say to you for the last time; we will not fool with you longer, but if this is not paid by 6 p. m. November 13th, without fail, we shall issue execution against you at once and have the sheriff's office sell the furniture to satisfy this debt of yours to us."

Or a letter of this type:

PHILADELPHIA, PA., 190....

"Dear Sir and Madam:—

Our clients of this city have placed in our hands for collection a claim against you of, this amount being the balance due on money borrowed by you and for which you assigned all your collateral over to the said company, and in addition signed a judgment note containing a Waiver to the \$300 exemption law.

The informs us that they have repeatedly requested a settlement of this account by you, and you have not only ignored their requests and disregarded the papers you have signed, but you have not shown the slightest disposition to pay.

If you wish to adjust this matter in an amicable way, and without compelling us to proceed legally, we would advise you to remit or call at this office by

In the event of your failure to do as requested, we shall issue execution on the note signed by you out of Common Pleas Court, and additional costs and interest. This procedure will mean a levy on all your household effects by the sheriff.

Very respectfully,

But if the borrower still refuses to pay, he gets the following spurious foreclosure notice:

"Notice of Foreclosure

STATE OF PENNSYLVANIA, }
County of } ss.:

To whom it may concern:

Default having been made in the conditions of a certain judgment note secured by Bill of Sale as collateral security, made and executed by and of the City of County of State of Pennsylvania, to at the office of under which contract and agreement there is due and remaining unpaid at the date hereof, the sum of \$.....

Inasmuch as the said and acting as custodian(s) for said goods have defaulted in the conditions aforesaid, the said will be obliged to take steps at once to take personal possession of said goods according to law and the terms of said contract.

Unless payment is made at the office of the at or satisfactory arrangements made on or before the day of 190.... by o'clock M.

.....
By

Signed, sealed and delivered this Agent.
.....day of.....A. D. 190...."

And if there is still no satisfactory response the notification of a fake execution sale is sent to the borrower. This feigned use of the official authority has been of considerable influence in frightening borrowers into complying with the lender's demands. There also appears to exist an alliance between the money lenders and shyster attorneys, as the following interview appearing in the *Philadelphia Public Ledger* of January 16, 1908, shows. The speaker was the sheriff's solicitor, George S. Russel, Esq.

"The legal work done for the money lenders is not confined to any one class of attorneys, as might be imagined. I have the names of twenty-three members of the Philadelphia bar before me who have writs here for various money lending firms. We have nothing to congratulate ourselves upon in our system of

enforcing the rapacious claims of the money lenders. I have been in close touch with hundreds of instances, and the public is in ignorance of the shameful abuse of our court processes under excuse of the law. Of the many writs of execution where the household goods of the debtor are seized and sold by the sheriff at least one-fourth are issued by money lenders, compared to whom the memory of Shylock is a monument to charity. Debts incurred to money lenders under conditions of distress and misfortune are obtained by a contract by which the person duped renounces and waives every right and legal safeguard. After thus rendering himself and those depending upon him helpless, he adds to his misery the additional burden of paying his tormentor's attorney's fees and the costs."

If after this threatening process the borrower still fails to pay, the loan company, when it feels secure, resorts to law. Of 2,582 writs of execution received by the sheriff of Philadelphia County in 1907, about 40 per cent were from money lending companies, and of the whole number, 2,362 were returned as satisfied. This shows the extent of the loan business in Philadelphia.

The costs of such proceedings to the borrower are illustrated by the following case in which action was brought to recover a balance of \$17 on a loan of \$50. The additional costs amounted to \$15.94, including the following items: Costs for attorney for plaintiff, \$4.12; prothonotary fee, \$3.37; sheriff's costs, \$3.50; service of writ, \$0.25; mileage, \$0.10; publishing hand bills of sale, \$4.35. In addition to these costs, in the case of a sale of the borrower's goods an additional 2 per cent is included for "poundage." Where the amount sued for is small, as is true in most cases, the costs to the dependent borrower may total from two to five times the sum which the money lender sues to recover.

The following case shows the close connection existing between the business of the so-called "rival" loan companies and the operation of some of their methods of business:

Mrs. A. secured a loan of \$30, on which sum she paid charges but received only \$20. She made her last payment on February 20th, 1905, to close her account and received a receipt "in full of all payments to date." Seven months later, on September 1st,

1905, her husband received a letter from a constable and collector, reading as follows:

"In regard to \$8.25 claim for Security Co.

Dear Sir:

The above noted claim has been placed in my hands against you for settlement in favor of Security and Loan Co. for which I hold your note and bill of sale. I will allow you five days from this date to arrange a settlement. After that time I shall proceed legally to collect my claim and the costs that accrue will be added to your present indebtedness. Bring this notice with you."

About this time Mrs. A.'s little child died. Needing money for funeral expenses, Mrs. A., having twice declined to pay the \$8.25, applied for a loan of \$40 from a different loan company. This company knew all about her relations with the other company, and the manager said he would make the \$40 loan to her if she would settle the claim of the first company unjustly held against her. Because of her great need she paid the \$8.25 claimed by the first company, but the manager of the second company now declined to keep his promise and refused to make the new loan of \$40. Later Mrs. A. received a letter from the first company to the effect that "A payment of \$1.25 will fall due on September 30th. Kindly give this matter your immediate attention."

The following letter, written by a borrower to the Philadelphia detectives, shows how the lender takes unfair advantage of the borrower's ignorance of legal matters:

"The percentage they charge is awful and when you get behind in your payments they threaten to take your goods and you are compelled to pay them whatever they ask. Only this week I was a victim of one, having borrowed \$5.00 for which I was to pay \$8.00. I got back in my payments. They came and was going to take my furniture. To save it I was compelled to pay them \$12.00."

This campaign conducted by the Philadelphia Department of Public Safety seriously affected the receipts of the loan companies for the time being; but it cannot be said that the campaign was productive of any lasting results, for as soon as the activity of the Department waned business returned to its former

basis. Not only are the old companies continuing to operate as we have said, but new companies of the same sort are known to have entered the field.

Crusades directed against the loan companies similar to that of the Police Department of Philadelphia have been undertaken by the press and other agencies in many other cities of the country; but the results have been of no great value, except in those cities where the investigations led to the founding of philanthropic loan agencies to compete with the extortionate money lenders. Prominent among such cities are Baltimore and Cincinnati, and the benefits derived by the needy from these institutions can hardly be overestimated.

V.

WHAT THE PHILANTHROPIC COMPANIES ARE DOING.

To illustrate the proposition that competition can accomplish much in regulating the loan business, no better instance can be given than the history of the Chattel Loan Association of Baltimore. (a) Baltimore, a city of homes, was considered one of the best "loan towns" on the Atlantic coast. The state constitution, while it ordained that 6 per cent per annum should be the legal rate of interest, did not provide a penalty for charging more than this rate; the victim of the money lender was entitled to recover only the excessive interest paid and the lender otherwise went free. A reasonable fee was also allowed the lender for drawing papers, etc., and gradually it became the practice to charge a minimum fee of \$3.50 for loans under \$50 for papers, and as much more as could be collected on loans of larger amounts. The scale of rates for loans increased, until in 1898 charges were about as follows:

For loans under \$50, 10 per cent per month for interest, from \$3.50 to \$5.00 for papers, and \$1.00 to \$2.00 for recording and acknowledgments before a notary; for loans not over \$75, 8 per cent per month was charged for interest and from \$6.00 to \$7.50 for papers; while for loans of \$100 or over 5 per cent per month for interest and from \$10 to \$15 for papers, etc., was exacted. No partial payments were ever accepted on account of principal, which was to be repaid in one lump sum, the charges above mentioned being for the use of the money only. A system of "extension" fees for granting additional time on loans was adopted.

(*) The account of the Baltimore situation which follows, is taken from a statement prepared for the Bureau of Social Research by W. N. Finley, manager of the Chattel Loan Association of Baltimore.

No loans were made for more than six months. A typical case is illustrative of the system: A. borrowed \$125 at 5 per cent per month for six months. He was charged \$10 for papers, etc., and by force of circumstances had the loan renewed by the same money lender no less than six times. At the end of the third year he had paid (exclusive of extension fees) for interest \$225; for renewal fees (new mortgages) \$60; total \$285. When he was suddenly taken ill and was in consequence unable to meet the usual \$6.25 monthly interest note, he received a notice to the effect that unless the entire original sum borrowed, \$125, was repaid by noon on the ensuing Wednesday, his mortgage would be foreclosed and his furniture and effects sold to satisfy the debt. The worm turned at last, but the attorney he employed was not as quick as he should have been and it cost A. \$28 more to get his mortgage released. The total amount borrowed was \$125, the total repaid, \$313, in addition to further sums for extension fees.

Thousands of such loans were made annually in Baltimore at enormous profit to the lender and corresponding discomfort and suffering to the borrower. These conditions continued for a long term of years and naturally grew worse; in fact, no one seemed to know or care anything about the state of affairs, until in the fall of 1897 the late Rev. Maltbie B. Babcock became interested in the matter. He set on foot an investigation which brought to light the general situation as previously mentioned. Without loss of time a meeting of business men was called to consider the situation and devise ways and means of permanently correcting the existing evils. It was finally determined to start a business organization which would have for its sole object the lending of money upon security of a chattel mortgage, and which would charge only enough to pay running expenses and a fair dividend to its stockholders. At this meeting all needed capital was quickly subscribed and in due time a charter obtained under the general incorporation act of Maryland. The chartered capital was \$30,000, all subscribed and half paid in. At the end of two years the capital stock was increased to \$50,000, and two years later to \$75,000. The rates charged at the start were experimental, but by the time the legislature convened in 1900 it was

seen that they could be lowered, and accordingly the Loan Association proposed the first chattel act for Maryland, in which the rates for loans on furniture were fixed at a figure averaging \$1.00 less per loan than the Association had been charging from the time it began business. The bill was passed without amendment and became a law. After two more years of experience the law was slightly amended in 1902. This amended law stands to-day. ^(a) It allows 6 per cent interest and an additional inclusive charge of \$5.00 for examination and valuation of property offered as security for the loan, and for preparation of the papers, where the amount loaned does not exceed \$50; \$6.00 where the amount exceeds \$50 and equals \$100 or less; 5 per cent additional of the excess over \$100 where the amount loaned exceeds \$100 and equals \$1,000 or less, and 2½ per cent additional of the excess over \$1,000 where the amount exceeds \$1,000; for additional papers, the amount actually paid for same. These charges are to be deducted at the time of making the loan.

In ten years the Association has made over nine thousand loans, paid 5 per cent on its capital and 1 per cent to surplus.^(b) But the real test of the work of the Association is found in the results produced in the community. Two of the largest loan offices in the city have been driven out of business; a search of the dockets in both law and equity courts proves that during the past four years not a single suit in either law or equity has been filed by a victim of a mortgage money lender, nor has any money lender brought suit against a customer. It should not be inferred that there is no extortion practiced in the city, but it has been very considerably reduced. Several new loan offices have been opened since 1902, where loans can be obtained at the legal rate. This experience shows that much can be accomplished by legislation, but that more real help can be afforded by lending money at low rates, and that such a business is a fair paying, safe investment for capital.

The Loan Association of Baltimore has a counterpart in the St. Bartholomew's Loan Association of 211 East 42nd Street, New York City. This Company, organized under Chapter 326 of

(a) Appendix IV, page 46.

(b) Appendix VII, page 52.

the laws of 1895, as amended, is allowed to charge 2 per cent a month and \$1.00 for papers on loans of \$50 or less, and \$2.00 on loans of more than \$50. It began business thirteen years ago, charging 1½ per cent a month and \$1.00 for papers, but has since reduced its interest charge to 1 per cent per month. (a)

The Association never makes a loan unless it is thought to be a good thing for the applicant, no matter how valuable the security may be. The character of its business is shown by the fact that its losses have aggregated less than five-eighths of one per cent. Its business possibilities are revealed by the fact that it cannot begin to meet the demand for loans, there being a long waiting list of prospective borrowers. The Association has never foreclosed a mortgage, unless it was discovered that the borrower was intending to move his furniture away and avoid paying the loan. It has always maintained a policy of leniency, and has given the borrowers all the time they needed in paying back their loans. In the last four years the loans of the Association have aggregated \$290,840.

The Citizens' Mortgage Loan Company of Cincinnati, Ohio, is a similar agency, organized on the lines of the Baltimore Association, for the regulation of the loan business. A number of men engaged in philanthropic work, who investigated the chattel loan business in Cincinnati, became convinced of the futility of any direct attempt to remove its evil and oppressive features by legislation or exposure through the press. After mature deliberation, they decided that the only practical remedy was to furnish an opportunity where those compelled to borrow on chattels could do so without becoming helplessly engulfed in the mire of debt. The Citizens' Mortgage Loan Company was therefore organized, with a view to applying this remedy. That they fully comprehended the situation, as well as the possibilities

(*) In the report on the Salary Loan Business in New York City, prepared by Mr. C. W. Wassam, page 90, a statement is made that "the officers of the church have decided not to extend the business. It is their belief that its practicability has been demonstrated from a business standpoint, and that it should be enlarged by an organization entirely separated from the church . . ." It has recently been learned from authoritative sources that the policy of the church in this matter is quite the reverse of that reflected in this statement. There is entire willingness on the part of the church authorities to expand as rapidly as capital can be provided. It should be said that the misleading statement above quoted was based on information afforded by the manager of the loan association.

For financial statement see Appendix VIII, page 55.

of their experiment, is best told in the business success of the company and in the changes that have been effected in the loan business in Cincinnati. The usurer has not been abolished, but his power for evil has been curtailed, and he has been compelled to observe better business standards.

The Company was organized in June, 1900, with a capital of \$50,000, since increased to \$100,000. During the first eighteen months the interest charged was 12 per cent per annum, with a small expense for papers. At the end of that time it was found that the 12 per cent rate could safely be reduced to 8 per cent, at which figure all loans are now made. Even at this rate the company has been able to pay a 5 per cent dividend annually for the past four years. ^(a) Over 13,000 loans, aggregating \$700,000, have been made, and in its entire business the company has never been obliged to resort to a forcible sale of security to satisfy its claims. The losses have been less than one-half of 1 per cent, a fact which speaks volumes for the honorable and liberal policy of the company and the honesty of appreciative patrons.

The following table gives the company's rates in comparison with those of all others in the city:

AMOUNT.	6 MONTHS.		9 MONTHS.		ONE YEAR.	
	Citizen's Loan Co.	All others.	Citizen's Loan Co.	All others.	Citizen's Loan Co.	All others.
\$25.00	\$3.00	\$8.00 or more				
50.00	4.50	11.00 or more	\$5.50	\$16.00	\$11.50	\$34.50
100.00	7.50	17.00 or more		or more		or more

The Provident Loan Society of Detroit has just finished its second year. Its rates are reasonable and its earnings sufficient to pay expenses, 5 per cent upon capital invested, and provide a small surplus. As in other cities, the excessive charges of money lenders were the impelling cause which led to the organization of the Detroit company. Following a newspaper communication which called attention to the need of a philanthropic loan company, two men talked together about it, and after studying the methods used, especially in Baltimore and Cincinnati, they called together a half dozen other men of influence who agreed to act

(^a) Appendix IX, page 57.

as directors and provide money for the commencement of the business. Because the distress occasioned by the mortgage loan offices seemed to be greater than that caused by the pawn shops, the society has thus far loaned upon the mortgage rather than the pledge of personal property.

Other companies of this sort are the Workingmen's Collateral Loan Company of Cleveland, Ohio, and the Workingmen's Loan Association of Boston, Mass.

The last mentioned company, charging 1 per cent a month, pays 6 per cent on the investment and is accumulating a surplus. It refuses to take some mortgages which other companies might not consider too risky, but it is constantly lending to poor people. The experiences of these companies prove that a 1 per cent per month business may be profitable. Whether any salary loan companies could do a profitable business at such a rate has not thus far been demonstrated.

APPENDIX I.

The New York Law. Chapter 326 of the Laws of 1895, as amended by Chapter 78 of the Laws of 1902, and Chapter 333 of the Laws of 1905 :

AN ACT to provide for the incorporation of associations for lending money on personal property and to forbid certain loans of money, property or credit.

The People of the State of New York represented in Senate and Assembly do enact as follows:

SECTION I. In any county of this State containing or which is contained in an incorporated city, except in the counties of Monroe and Westchester, any five or more persons may organize and become a corporation for the purpose of aiding such persons as shall be deemed in need of pecuniary assistance by loans of money at interest not exceeding \$200 to any one person, upon a pledge or mortgage of personal property by making, signing, acknowledging and filing a certificate in the form prescribed by the business corporation law. Before transacting any business, the said corporation shall execute and file a bond in an amount equal to one-tenth of its capital stock, but not less than the sum of \$5,000, with the Supt. of Banks, to be approved by him for the faithful observance of all general provisions of law regulating business corporations within the State of New York and the provisions of this act. Said bond shall be executed by a domestic or foreign corporation, authorized by the Supt. of Insurance to transact within the State the business of surety insurance as surety. At the time of filing such bond, such corporation shall also file with the Supt. of Banks a certified copy of its certificate of incorporation. Upon the filing of such certified copy of the certificate of incorporation and the filing and approval of the bond hereinbefore provided for, the Supt. of Banks shall issue to the corporation a license to transact business under this act, which license shall terminate on the 31st day of March in the following calendar year. This act shall not apply to the counties of Monroe and Westchester.

SECTION II. Said bond shall be renewed and refiled annually in January of each year and shall be approved by the Supt. of Banks and a new license issued on or before the first day of March; or the corporation shall within twenty days thereafter cease doing business and proceedings for a dissolution shall be instituted by the Attorney Gen-

eral at the request of the Supt. of Banks. Every such corporation shall also in January of each year make a report for the previous calendar year to the Supt. of Banks, giving such information as he shall require, which report shall be verified by the oath of the president or secretary; and it shall make such other and further reports under the like oath as the said superintendent shall demand at any time. The Supt. of Banks shall cause every such corporation to be examined at least once in every year and may cause it to be examined as often as he deems it necessary; and it shall make such other and further reports under the like oath as the said superintendent shall demand at any time. The Supt. of Banks shall cause every such corporation to be examined at least once in every year and may cause it to be examined as often as he deems it necessary; and the examiners appointed by him shall be given free access to all books, papers, securities and other sources of information in respect to the said corporation; for which examination a reasonable charge shall be imposed by the Supt. and paid by the said corporation within twenty days after notice of the charge shall have been mailed to the corporation at the last address given by it. If any such corporation shall knowingly violate any of the provisions or restrictions of this act, the said bond shall be forfeited and shall be collected by suit by the Supt. of Banks in the name of the people of the state, which suit shall be conducted by the Attorney General; and a reward of \$250 shall be paid by the state to the person first giving information and furnishing legal proof of such violation. Corporations organized under the provisions of this act shall be subject to the supervision of the Supt. of Banks; and the general provisions relative to the supervision of moneyed corporations contained in Article I of the Banking Law shall be applicable to them, in so far as they are not inconsistent with the provisions of this act. All expenses incurred by the Supt. of Banks in preparing and furnishing suitable blanks, stationery and forms, in preparing and keeping suitable records, for clerical service and such other expenses as may be incident to such supervision, shall be paid by said corporations in such proportions as the Supt. may deem just and reasonable. The expenses incurred and the services performed on account of any such corporation shall be charged to and paid by the corporation for whom they were incurred and performed. All moneys received by him in payment of such charges shall be deposited and paid by him into the Treasury of the state to reimburse all sums advanced from the Treasury for such expenses. If any such corporation shall fail to pay such charges as herein required, including charges for examination, the Supt. shall report to the Attorney General the failure of any such corporation to pay such charges and the Attorney General shall thereupon bring an action in the name of the people for the recovery of such charges. All such charges, including the charges made for examination shall be a preferred claim against the assets of any such corporation upon its dissolution or upon its making a general assignment for the benefit of creditors. If it shall appear to the Supt. of Banks from any examination or report that the capital stock of any such corporation is impaired, or that it has violated its charter or any law of this state; or is conducting its business in an oppressive or unauthorized manner; or is by payment of excessive salaries, excessive rents or any other means, attempting to evade the provisions of this act relative to a reduction in the rate of interest, which such corpora-

tion may legally charge, he may, by an order made over his hand and official seal, direct any such corporation to make good such impairment of capital; or to discontinue the illegal, oppressive or unauthorized methods and practices mentioned in such order; or to discontinue the payment of the excessive salaries, rents or other expenses, by means of which an attempt to evade the provisions of this act is apparent. If any such corporation shall not comply with such order within twenty days after the same shall have been mailed to the last address filed by such corporation in the banking department, the Supt. shall communicate the facts to the Attorney General, who shall thereupon commence an action for the dissolution of the corporation; and the corporation shall upon proof of failure to comply with such order be dissolved and a permanent receiver therefor appointed.

SECTION III. Every such corporation shall have the general powers of a business corporation as provided by law and shall be subject to all the duties, obligations and restrictions of a business corporation so far as applicable thereto and shall have the following additional powers: It shall be entitled to act as pawnbroker within such county and shall be subject to and entitled to all the benefits and provisions of the laws of the state and of all ordinances of the city in which it is located concerning pawnbrokers; except that it shall not be required to obtain a license or file any bond other than that provided for in the first section of this act, and it may lend money to such persons within such county as shall be deemed by it in need of pecuniary assistance and may take as security for the payment of any such loan either a pledge or a mortgage of any personal property without the actual delivery to it of the property pledged or mortgaged together with other lawful securities. It shall be entitled to charge and receive upon each loan made by it without the actual delivery to it of the property pledged or mortgaged, which charge shall include all services of every character in connection with said loan, except upon the foreclosure of its security, interest or discount at a rate not exceeding two percentum per month. It may also charge for the first examination of the property to be pledged or mortgaged and for drawing and filing the necessary papers and for all other expenses a sum not exceeding \$2, if a loan of more than \$50 shall actually be made, and a sum not exceeding \$1 if a loan of \$50 or less shall actually be made; but no further charge for examination of the property or for drawing or filing papers or for any services or expenses or upon any pretext whatsoever, beyond the said charge for interest or discount shall be made upon any renewal or extension of the loan or any transfer or change of the loan or upon any other occasion within one year from the date of the original loan or oftener than once in each period of twelve months thereafter. No loan greater than \$200 shall be made under the authority of this section, nor shall any one person owe any such corporation more than \$200 for principal at one time.

SECTION IV. No such corporation shall in any year declare or pay dividends on its capital stock amounting to more than ten percentum. The Supt. of Banks, upon ascertaining that any such corporation has, during the previous calendar year, made a net profit amounting to more than ten percentum on its capital, shall have authority, after ten days' notice to the corporation, to make an order reducing the rates

of interest, discount and charges which such corporation may lawfully charge or receive upon loans, to such sums as will in his judgment produce a net return of ten percentum on its capital stock. Any order made under this section shall take effect at such time not less than one month after it is made as the order shall name and shall remain in force until revoked. Except in the City of New York, no such corporation shall make any loan in any other county than that in which its principal business office is located, nor take securities on property located in any other counties.

SECTION V. In any such county no person or corporation other than corporations organized pursuant to this act shall directly or indirectly charge or receive any interest, discount or consideration greater than the legal rate of interest upon the loan, use, or forbearance of money, goods or things in action, less than \$200. in amount of value, or upon the loan, use, or sale of personal credit in any wise, where there is taken for such loan, use or sale of personal credit, any security upon any household furniture, apparatus or appliances, sewing machine, plate or silverware in actual use, tools or implements of trade, wearing apparel or jewelry. The foregoing prohibition shall apply to any person who, as security for any such loan, use or forbearance of money or for any such loan, use or sale of personal credit as aforesaid, makes a pretended purchase of property from any person and permits the owner or pledgor to retain the possession thereof, or who, by any device or pretense of charging for his services or otherwise, seeks to obtain a larger compensation in any case hereinbefore provided for. Any person and the several officers of any corporation who shall violate the foregoing prohibition shall be guilty of a misdemeanor and upon proof of such fact, the debt shall be discharged and the security shall be void. But this Section shall not apply to licensed pawnbrokers making loans upon the actual and permanent deposit of personal property as security, nor shall this section affect in any way the validity or legality of any loan of money or credit exceeding \$200 in amount.

APPENDIX II.

Provision of the Penal Code of New York :

SECTION 378. A person who takes security upon any household furniture, sewing machines, plate or silverware in actual use, tools or implements of trade, wearing apparel or jewelry, for a loan or forbearance of money or for the use or sale of his personal credit, conditioned upon the payment of a greater rate than six percentum per annum, or who, as security for such loan, use or sale of personal credit, as aforesaid, makes a pretended purchase of such property from any person upon the like condition, and permits the pledger to retain the possession thereof, is guilty of a misdemeanor.

APPENDIX III.

The Business Corporation Law of New York. Chapter 460 of the Laws of 1896 :

SECTION II. Three or more persons may become a stock corporation for any lawful business purpose or purposes other than a moneyed corporation or a corporation provided for by the banking, the insurance, the railroad and the transportation corporation laws, by making, signing, acknowledging and filing a certificate which shall contain:

1. The name of the proposed corporation.
2. The purpose or purposes for which it is to be formed.
3. The amount of the capital stock and if any portion be preferred stock, the preferences thereof.
4. The number of shares of which the capital stock shall consist, each of which shall not be less than five nor more than one hundred dollars, and the amount of capital not less than \$500 with which said corporation will begin business.
5. The city, village, or town in which its principal business office is to be located.
6. Its duration.
7. The number of its directors, not less than three nor more than thirteen.
8. The names and post office addresses of the directors for the first year.
9. The names and post office addresses of the subscribers and a statement of the number of shares of stock which each agrees to take in the corporation.

The certificate may contain any other provisions for the regulation of the business and the conduct of the affairs of the corporation, and any limitation upon its powers and upon the powers of its directors and stockholders which does not exempt them from any obligation or from the performance of any duty imposed by law.

APPENDIX IV.

The Maryland Law. Chapter 208 of the Laws of 1902 :

AN ACT regulating the loan of money, when, as security for such loan, a lien is taken upon household furniture and effects, musical instruments, typewriters and sewing machines, in use or located in any dwelling house, by repealing and re-enacting with amendments Section 7 of Article 49, of Code of Public General Laws, title "Interest and Usury," as the same was re-enacted by Chapter 404 of the Acts of the General Assembly of Maryland, passed at its January session in the year 1900.

SECTION 1. *Be It Enacted* by the General Assembly of Maryland, that Section 7 of Article 49, of the Code of Public General Laws, title "Interest and Usury," as the same was enacted by Chapter 404, of the Acts of the General Assembly of Maryland, passed at its January session in the year 1900, be and the same is hereby repealed and re-enacted, so as to read as follows:

SECTION 7. It shall not be lawful for any individual, partnership, association or corporation lending money within the limits of this State, and taking as security for the repayment thereof, a lien upon any household furniture and effects, musical instruments, typewriters and sewing machines or any other personal chattels, whether such lien shall be in the nature of a conditional sale, chattel mortgage, bill of sale, whether recorded or unrecorded, or any other lien of any character whatsoever, to have or charge for the use of money so loaned more than the lawful rate of interest thereon, as fixed by the provisions of Section 57 of Article 3 of the Constitution of the State of Maryland, and that no additional sums either in the way of bonus or otherwise, shall be required or exacted of the borrower or borrowers; and further, that no charges for examination or valuation of property offered, insurance of same, and preparation, execution and recording of necessary papers shall be imposed, except as follows: For examination or valuation of property offered for security for loan and preparation of papers (both included), the sum of five dollars, where the amount loaned does not exceed fifty dollars; six dollars where the amount exceeds fifty dollars and equals one hundred dollars or less; and five per centum additional of the excess over one hundred dollars, where the amount loaned exceeds one hundred dollars and equals one thousand dollars or less; and two and one-half per centum additional of the excess over one thousand dollars where the amount loaned exceeds one thousand dollars; for necessary affidavits, recording papers, rev-

enue stamps and fire insurance premiums the amount actually to be paid for same: provided, that the foregoing charges and interest as herein provided may be deducted from the principal of the loan when the same is made; and provided further that it shall not be lawful to make any charges for renewals or extensions of loans, nor to divide nor split up loans under any pretext whatsoever for the purpose of requiring or exacting any other or greater charges than prescribed herein; and provided that where a loan is paid off before maturity, interest shall be rebated to the borrower or borrowers at the rate of six per centum on the amount so paid, and any violation of the provisions of this Act shall be a misdemeanor, and punishable by a fine of one hundred dollars for the first offense, and of a like fine and imprisonment in jail for thirty days for the second and each subsequent offense; and, further, the entire amount loaned shall be forfeited to the borrower or borrowers, and the mortgage therefor given becomes null and void.

SECTION 2. *And be It Enacted*, That this Act shall take effect from the date of its passage.

APPENDIX V.

The New Jersey Law. Chapter 96 of the Laws of 1904 :

AN ACT to provide for the incorporation and regulation of Provident loan associations.

PROVIDENT LOAN ASSOCIATIONS MAY BE FORMED. 1. Upon executing, recording and filing a certificate pursuant to this act any three or more persons, citizens of this state, may become an incorporated association for the purpose of aiding such persons as shall be deemed in need of pecuniary assistance by loans of money, at interest, not exceeding two hundred dollars to any one person, upon a pledge or mortgage of personal property.

CERTIFICATE OF INCORPORATION. 2. The certificate of incorporation shall be signed in person by all the subscribers to the stock named therein, and shall set forth:

I. The name of the association;

II. The city or other municipality where it is to be located and its business transacted, which shall be within this state;

III. The object for which it is formed;

IV. The amount of the total authorized capital stock of the association, which shall not be less than two thousand dollars, and the number of shares into which the same is divided, and the par value of each share; the amount of capital stock with which it is to commence business, which shall not be less than one thousand dollars; also the number of shares subscribed for by each of the incorporators.

NAME. 3. The name assumed by any such association shall not be so nearly like that of any other association as to deceive the public and the words "Provident Loan Association" shall form a part thereof, and such name shall be approved by the commissioner of banking and insurance.

CERTIFICATES TO BE RECORDED AND FILED. 4. The certificate of incorporation shall be proved or acknowledged as required for deeds of lands and recorded in the office of the clerk of the county where the association is located, and after being so recorded shall be filed in the department of banking and insurance, and said certificate, or a copy thereof, duly certified by the commissioner of banking and insurance, shall be evidence in all courts and places; upon making, recording and filing such certificate the persons so associated and their successors and assigns shall, from the date of such filing, constitute a body cor-

porate by the name set forth in such certificate, with all the powers mentioned in the first section of the act entitled "An act concerning corporations" [Revision of 1896], except such powers as may be inconsistent with the provisions of this act.

DIRECTORS. 5. The business of every such association shall be managed by its directors, who shall respectively be shareholders thereof; they shall be not less than three in number, and shall be chosen annually by the stockholders at the time and place provided in the by-laws, and shall hold office for one year and until others are chosen and qualify in their stead.

OFFICERS. 6. Every such association shall have a president, secretary and treasurer, who shall be chosen by the directors, and shall hold their offices until others are chosen and qualify in their stead; the president shall be chosen from among the directors; the secretary shall be sworn to the faithful discharge of his duty and shall record all the votes of association and directors in a book to be kept for that purpose, and perform such other duties as shall be assigned to him; the treasurer shall give bond in such sum and with such surety or sureties as shall be required by the by-laws for the faithful discharge of his duties; the association shall have such other officers, agents and factors, who shall be chosen in such manner and hold their office for such term, as shall be prescribed by the by-laws; all vacancies in the board of directors or any office shall be filled by the board for the unexpired term.

ASSOCIATIONS SUBJECT TO ACT CONCERNING CORPORATIONS. 7. Every such association shall be subject to and governed by the provisions of "An act concerning corporations" [Revision of 1896], as to its first meeting, the right of stockholders to vote by proxy, certificates of stock and their transfer, the liability of stockholders for unpaid subscriptions to stock and the method of enforcing the same, amendments to the certificate of incorporation, the increase and decrease of its capital stock, its voluntary dissolution, stockholders' meetings, election of directors, insolvency proceedings, receivership and distribution of its assets; except that all certificates required to be filed by it shall be filed with the commissioner of banking and insurance.

POWERS. 8. Every such association shall have the general powers of a corporation formed under the "Act concerning corporations" [Revision of 1896], and shall be subject to all the duties, obligations and restrictions of such a corporation so far as applicable thereto, and shall have the following additional powers: It shall be entitled to act as pawnbroker, and shall be subject to and entitled to all the benefits of all the provisions of the laws of this state concerning pawnbrokers, except it shall not be required to obtain a license and file bond; it may loan money to such persons as shall be deemed to be in need of pecuniary assistance, and may take as security for the payment of any such loan either a pledge or mortgage on personal property, together with other lawful securities; it shall be entitled to charge and receive on each loan made by it interest or discount at a rate not exceeding two per centum per month for a period of two months or less and not exceeding one and one-half per centum per month for any period after two months; but no such loan greater than two hundred dollars shall be made, nor shall any one person owe such association more than two hundred dollars of principal at any one time; no direc-

tor of any such association shall receive any compensation for his services, either as a director or as an officer, nor shall any director or stockholder be personally liable for any debt incurred by the association.

DIVIDENDS. WHEN RATES FOR LOANS MAY BE REDUCED BY COMMISSIONER. 9. No such association shall in any year declare or pay dividends on its capital stock amounting to more than six per centum; after any such association shall have accumulated a surplus amounting to fifteen per centum of its capital, the commissioner of banking and insurance shall, upon ascertaining that such association has, during the previous calendar year, made a net profit amounting to more than six per centum on its capital, have authority to make an order reducing the rate of interest, discount and charges which said association may lawfully charge and receive upon loans, to such sums as may, in his judgment, produce the net return of six per centum on its capital stock; any such order shall take effect at such time, not less than four months after it is made, as the order shall name, and shall be in force for one year unless sooner revoked.

REPORTS REQUIRED. 10. Every such association shall in the month of January in each year file in the department of banking and insurance on blanks to be provided by the commissioner of banking and insurance, a report of its transactions, affairs and financial condition at the close of business at the end of the preceding calendar year, such report to be verified by the oaths of such officers and other persons as the commissioner of banking and insurance may designate; and the said commissioner may call for additional reports whenever he shall deem it expedient.

EXAMINATIONS AND PROCEEDINGS THEREON. 11. The commissioner of banking and insurance may also, at any time, make or cause to be made an examination of the condition, business and affairs of any such association as often as he deems it necessary; if it shall appear to the commissioner of banking and insurance from any such examination or report that any such association is insolvent or has violated any of the provisions of this act or of any law of this state, or is conducting its business in an oppressive or unauthorized manner, or has by the payment of excessive salaries, excessive rents, or by any other means attempted to evade the provisions of this act relative to a reduction in the rate of interest which such association may legally charge, he may direct such association to discontinue or correct its objectionable methods and practices, and upon such association failing to comply with such directions, within a reasonable time, the attorney-general of this state, upon request of such commissioner, may take proceedings in chancery for the dissolution of said association, which court shall have power to dissolve the same and appoint a receiver of its assets.

FEEs. 12. Every such association shall pay to the commissioner of banking and insurance, for the use of the state, the sum of ten dollars for filing its annual report, and shall defray the expenses of any examination of its affairs as provided in this act, and the said commissioner may maintain an action for the recovery of such expenses in any court of competent jurisdiction.

13. This act shall take effect immediately.

Approved March 28, 1904.

APPENDIX VI.

List of the More Important Chattel Mortgage Loan Companies operating in New York City :

Anchor Realty Company, 31 West 42nd Street.
Acme Security Company, 289 Fourth Avenue.
Ariston Realty Company, 110 West 34th Street.
Adelphi Realty Company, 116 Nassau Street and 20 E. 120th Street.
Broadway Securities Company, 1181 Broadway.
Leslie Realty Company, 143 West 125th Street.
Riverside Security Company, 271 West 125th Street.
City Credit Company, 621 Broadway.
Bryant, 140 West 42nd Street.
Blakely, 101 West 66th Street.
Broadway Realty Company, 637 Broadway, Brooklyn.
Fidelity Loan Association, 140 Nassau Street.
Falk, 1451 Broadway.
Times Square Realty Company, Broadway and 41st Street.
Industrial Realty Company, 375 Fulton Street, Brooklyn.
London Realty Company, 1265 Broadway, and 150 Nassau Street.
Lion Realty Company, 356 Fulton St., Brooklyn.
Minerva Realty Company, 302 Broadway.
New Prospect Realty Company, 44 Court St., Brooklyn.
St. Bartholomew's Loan Association, 211 East 42nd Street.
Seiff, 217 West 125th Street.
Ussiker, 140 Nassau Street.

APPENDIX VII.

Financial Statements of the Chattel Loan Association of Baltimore City:

1907.

For year of September 30, 1907.—October 1, 1906, to September 30, 1907.

Earnings year ending September 30, 1907:

From Fees	\$7,407.17
“ Interest	2,571.84
“ Interest on Extensions.....	463.15
“ Recording risk	633.60
Gross Earnings	<u>\$11,075.76</u>

Expenses:

Printing and Stationery Acc't.....	\$270.89
Expense	625.94
Stamp	107.16
Legal Expense	277.05
Advertising	1,233.66
Salary	3,554.00
Rent	684.00
Carfare	91.74
Loss	409.95
Insurance	105.91

Expenses exclusive of taxes.....	7,360.30
Taxes	<u>205.15</u>

Gross expenses	\$7,565.45
Dividend No. 15, paid April, 1907.....	1,692.63
Available for Dividend No. 16.....	1,538.75
Added to undivided profits.....	<u>278.93</u>
	<u>\$11,075.76</u>

Analysis of earning year ending September 30, 1908:

Dividend No. , 2½ per cent.....	\$1,692.63
Taxes	205.15
Losses	409.95
Available for Dividend No. , 2½ per cent.	1,538.75
Added to undivided profits.....	278.93
	\$4,125.41

The net earnings available for dividends for year ending September 30, 1907, have been for six months ending April 1st, for Dividend 15..	\$1,692.63
added to undivided profits.....	242.25
And for six months ending September 30, 1907, available for Dividend No. 16.....	1,538.75
and added to undivided profits.....	36.68
	\$3,510.31

Number of loans made this year, 1,182.

Amount loaned, \$95,379.52.

Amount repaid, \$96,287.26.

Outstanding loans September 30, 1907,

For a total of \$57,142.80, an average of \$65.61 per loan.

Average amount loaned per month, \$7,948.30.

Average amount repaid per month, \$8,023.94.

Average number of loans made per month, 98½.

1908.

For year of September 30, 1908.—October 1, 1907, to September 30, 1908.

Earnings year ending September 30, 1908:

Balance from last year, undivided profits.....		\$274.93
From Fees	\$7,455.64	
“ Interest	2,411.96	
“ Interest on Extensions.....	157.66	
“ Recording risk	545.55	\$10,845.74
Gross earnings		\$10,845.74

Expenses:

Printing and Stationery Acc't.....	259.23
Expense	802.10
Stamp	101.80
Legal expense	213.29
Advertising	926.79

Salary	3,839.15
Rent	684.00
Carfare	102.31
Loss	398.79
Furniture and Fixtures	218.75
Expenses exclusive of taxes.....	\$7,546.21
Taxes	211.64
Gross expenses	\$7,757.85
Dividend No. 17, paid 4/10/08.....	1,538.75
Available for dividend No. 18.....	1,538.75
Added to undivided profits.....	10.39
	\$10,845.74

Analysis of earning year ending September 30, 1908:

Dividend No. 17, 2½ per cent.....	\$1,538.75
Taxes	211.64
Losses	398.79
Available for dividend No. 18.....	1,538.75
Added to undivided profits.....	10.39
	\$3,698.32

The net earnings available for dividends for year ending September 30, 1908, have been for six months ending April 1st, for Dividend

No. 17	\$1,538.75
added to undivided profits.....	292.37
And for six months ending September 30, 1908, available for Dividend No. 18.....	1,538.75
and added to undivided profits.....	10.39
	\$3,380.26

Number of loans made this year, 1,210.

Amount loaned, \$91,739.91.

Amount repaid, \$91,932.85.

Outstanding loans September 30, 1908, 877.

For a total of \$56,949.86, an average of \$64.94 per loan.

Average amount loaned per month, \$7,644.99.

Average amount repaid per month, \$7,661.07.

Average number of loans made per month, 101.

MEMORANDA: Ten and one half years' work—May 13, 1898, to September 30, 1908:

Loans made, 9,709. Total amount loaned.....	\$881,663.01
Loans closed, 8,832. Total amount repaid.....	824,713.15

Total amount of money handled.....	\$1,706,376.16
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Total open, 877. Amount outstanding loans, \$56,949.86; an average of \$64.94 each.

Eighteen dividends paid (including next dividend), \$25,704.73, or 86 per cent. of our original capital of \$30,000—and 42 per cent. of our present capital, \$61,550.00.

APPENDIX VIII.

Report of the Treasurer of the St. Bartholomew's Loan Association of New York for the year ending October 31, 1907:

Balance, October 31, 1906.....	\$6,810.58
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Receipts.

Installments on Loans	\$92,175.50	
Interest on Loans	9,145.81	
Fees on Loans	1,822.00	
Fees on Applications Declined.....	89.00	
Interest on Deposits.....	63.70	103,296.01
		\$110,106.59

Disbursements.

For 1,023 Loans	\$99,654.00	
Stationery and Printing	185.66	
Filing and Searches	263.20	
Postage	162.00	
Car Fares	117.60	
Salaries	5,698.09	
General Expenses	352.00	
Application Fees Returned	16.00	
State Examination and Tax.....	198.66	
Dividends paid, 6 per cent.....	2,416.50	
Advances to Borrowers	184.45	
Balance in Bank October 31, 1907.....	858.43	\$110,106.59

Earnings.

Interest on Loans	\$9,331.52	
Fees on Loans	1,801.00	
Interest on Deposits	63.70	
Application Fees Declined	89.00	\$11,285.22

Expenses.

Salaries	\$5,698.09	
Postage	162.00	
State Examination and Tax.....	198.66	
Filing and Searches	263.20	
General Expenses	352.00	
Stationery and Printing	185.66	
Car Fares	117.60	
	\$6,977.21	
Net Earnings	\$4,308.01	
		\$11,285.22

WILLIAM A. GREER,
Treasurer.

APPENDIX IX.

Financial Statement of the Citizens' Mortgage Loan Company of Cincinnati, December 31, 1907:

PROFIT AND LOSS.

Preliminary fees, interest and expense charged on loans	\$15,215.28	
Profit and loss collections.....	201.70	
Total	\$15,416.98	\$15,416.98
From which deduct—		
Preliminary fee returned	\$1.25	
Interest returned	1,384.95	
Total	\$1,386.20	\$1,386.20
Gross earnings		\$14,030.78
General operating expense	\$6,525.10	
Advertising	1,286.70	
Tax and fee	477.40	
Loss and loans	270.20	
Depreciation in furniture and fixtures.....	147.50	
Total	\$8,706.90	\$8,706.90
Net earnings for 1907.....		\$5,323.88

ASSETS AND LIABILITIES.

Assets.

Outstanding with borrowers.....	\$75,739.00	
Cash	1,487.17	
Furniture and Fixtures	150.00	
Total Assets	\$77,376.17	\$77,376.17

CHATTEL LOAN BUSINESS.

Liabilities.

Capital Stock	\$54,200.00	
Bills Payable	5,000.00	
Unearned Interest Account	11,502.29	
Tax, Fees and Insurance Account.....	1,350.00	
Undivided Profits	2,613.88	
Undivided Profits, Dividend for 1907, payable Feb. 1, 1908	2,710.00	
Total Liabilities	\$77,376.17	\$77,376.17

LOANS.

During the year 1907 loans were made to 2579 persons divided among the following classes:

Mechanics and laborers	775
Clerks, salesmen and solicitors	731
Ry. and St. Ry. employees.....	247
City, county and U. S. Gov. employees.....	148
Merchants and contractors	284
Property owners	44
Professional people	60
Boarding house keepers	88
Female clerks and saleswomen.....	127
Seamstresses	75
Total	2579

APPENDIX X.

Report of the Workingmen's Loan Association of Boston.

INCOME ACCOUNT, MARCH 31ST, 1908.

Interest.....		\$24,499 58
Profit and Loss...		5,797 95
Collected on old accounts charged off		261 74
General Expenses.....	\$15,155 66	
Interest, National Shawmut Bank.....		407 11
Interest, Mass. Hospital Life Ins. Co.....	1,250 00	
State Tax.....	2,341 62	
Dividend, No. 38, Oct. 15, 1907.....	3,750 00	
Dividend, No. 39, April 15, 1908.....	3,750 00	
Charged for bad accounts	786 69	
Surplus for year.....	3,932 41	
	\$30,966 38	\$30,966 38

TRIAL BALANCE, MARCH 31ST, 1908.

Assets.

Loans.....	\$215,826 64	
Cash.....	13,555 88	\$229,382 52

Liabilities.

Capital Stock....	\$125,000 00	
Notes Payable :		
Hospital Life Ins. Co.....	25,000 00	
Dividend No. 39.....	3,750 00	
Risk Fund.....	4,501 72	
Undivided Profits.....	4,122 92	
Guaranty Fund, March, 1907.....	\$63,075 47	
Surplus for year 1907-1908.....	3,932 41	67,007 88
	\$229,382 52	\$229,382 52

Mr. George W. Manson, an accountant selected by the Savings Bank Commissioners, examined the books and accounts of the Company on Oct. 31, 1907. He reported that the books were found to be correctly kept, the cash fully accounted for and the accounts of the Company in a proper condition.

	No. Loans Made.	Interest.	Principal Received.	Amount Loans Made.
1907.				
April	169	\$2,053 10	\$15,758 90	\$14,839 83
May	156	2,094 15	16,084 24	15,451 30
June	170	1,949 56	13,367 04	12,989 82
July	167	2,237 38	15,147 22	12,862 53
August	184	1,873 77	13,626 93	13,467 66
September....	172	2,082 81	14,135 91	14,137 36
October.....	190	2,095 37	16,504 46	18,180 49
November ...	184	1,833 93	12,231 75	14,613 08
December....	206	1,920 98	12,514 07	17,411 52
1908.				
January	205	2,047 98	13,309 43	15,924 48
February	169	2,082 21	13,481 58	15,849 09
March.....	190	2,228 34	14,752 42	17,409 24
Totals.....	2,162	\$24,499 58	\$170,913 95	\$183,136 40

OUTSTANDING LOANS.

Number.	Total Amount.	Average Amount.
3,585	\$215,826 64	\$60 20

Rate of interest charged borrowers, 1% per month.

